



**REMARKS OF MIKE WARREN, CHAIRMAN,
AMERICAN GAS ASSOCIATION &
CHAIRMAN, PRESIDENT AND CEO, ENERGEN CORP.
BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION
NATURAL GAS MARKETS CONFERENCE
OCTOBER 25, 2002**

First, let me thank you for the opportunity to speak today on behalf of the 52 million homes, businesses and industries served by the American Gas Association's 187 local energy utility companies.

I am speaking to you today as Chairman of the American Gas Association. But I come to that position in my capacity as Chairman, President and CEO of Energen Corporation, a company with two businesses: a gas utility company in Alabama that serves 460,000 customers and E&P company with 1.2 Tcf of oil and gas reserves, making us a top 20 independent producer.

Second, AGA aligns itself more closely with the comments of Mr. Kuuskraa than those of Mr. Andrews. AGA's own market outlook shares Vello's emphasis on the importance of greater access and technology advancements to the dynamic natural gas supply resource in this nation.

There is no doubt that increasing our natural gas supply options will help smooth out the roller coaster ride in gas prices that we have experienced in the last three years. While some may like roller coasters –America's utility customers do not want to feel as if they have been taken for a ride when paying their utility bills.

From my vantage point, the volatile prices in the 2000-01 winter meant that both residential and business consumers of natural gas utilities suffered: industrial customers switched fuels, some permanently. We have seen demand destruction, particularly in the textile, steel, fertilizer and chemical industries.

On the residential side, customers saw extraordinary bills and some could not pay. This caused both personal and corporate suffering.

For this coming winter, the American Gas Association is confident that supplies of natural gas will be adequate to meet customers' needs. But, as always, weather will be the biggest factor in determining the actual size of a residential customer's bill.

In the short-term, we are an industry challenged by the inconsistencies of weather and the economy. If the economy picks up—here's hoping -- and the weather returns to normal, or colder than normal, it will be a mixed blessing. Obviously, natural gas consumption will rise. The presenters on the first panel would agree, however, that so too will gas prices. Utility customers will be back on the roller coaster of 2000 – 2001 and the state commissions will demand our attention.

Our message to the state regulators— and one you could carry with you as you head out to the NARUC meetings – is to resist the temptation to second-guess utility supply decisions unnecessarily. Instead, we hope the public utility commissions will work with us to use gas supply hedging programs, fixed price supply contracts and other tools that can help us smooth out the price volatility for the consumer. I also urge you to do whatever you can to ensure that market liquidity is not further eroded. The gas market has been transparent and effective, but events of the past year have reduced liquidity, putting both gas utilities and consumers in a more difficult situation. That's our short-term focus.

Longer-term economic security depends on:

- 1) adequate supplies of energy, including natural gas;
- 2) safe, reliable and secure methods of delivering it; and
- 3) safe, reliable, efficient products to make use of it.

As leaders in the energy industry this message is one that you can help us carry to the Administration, to Congress and to the American public. All of us involved in ensuring reliable natural gas service with just and reasonable rates to consumers have a stake in ensuring that consumers understand the need to improve access to the nation's abundant natural gas resource base.

We have great confidence in the amount of gas in the ground, both domestically and around the world. But we must move expeditiously today to ensure that gas can reach the consumer tomorrow.

This means that the energy industry, together with federal and state officials, must expand the natural gas infrastructure – interstate pipelines (including the Alaska line) as well as distribution mains, underground storage facilities, LNG terminals, and deepwater drilling rigs. Doing so will help ensure greater long-term price stability.

Expanding the infrastructure depends more and more on stability in the contracting process. Regulatory certainty is an important part of this stability. This means that programs, such as negotiated rates, which have enabled shippers to structure contracts that provide long-term price stability, should not be eliminated. Additionally, AGA is on record on the affiliate rule and would ask the Commission to consider its comments carefully as it deliberates on that final rule.

In the end, consumers need adequate supplies at reasonable prices. FERC can help us work toward that goal.

I look forward to our discussion.